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MEMORANDUM FOR: THE PRESIDENT
FROM: Cyrus Vance
SUBJECT: Your Visit to Brazil, March 29-31

I. OBJECTIVES

- To convince Brazilian leaders that we welcome Brazil's increasingly important role in the world and are prepared to consult seriously on major issues;
- To emphasize our shared interests on global economic matters and encourage Brazil to assume greater responsibilities as a country on the threshold of becoming a industrial power.

-- To seek Brazilian cooperation in limiting the spread of sensitive nuclear technology.

-- To encourage further movement in human rights.

-- To avoid, identification with the existing authoritarian government or a return to the notion of a "special relationship."

Brazil is uncomfortable with current strains in the relationship, and wants to refurbish it, but not at the price of its own independence. The prospects for resolving of sensitive issues will be improved by supporting Brazil's growing role in world councils.

II. SETTING

This could be a difficult visit. You arrive in Brazil at a time of considerable strain in U.S.-Brazilian relations, and in a dynamic domestic situation. The basic conflict stems from Brazil's increasingly significant global role in ways that sometimes diverge from our interests.

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Authority NW 43265
By MP Amw, Date 1 June 2015

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Our objections to Bonn last year on the FRG-Brazil nuclear agreement, made without consulting Brazil, were widely interpreted as an underhanded move to prevent Brazil's acquisition of essential modern technology. Before your visit, President Geisel will just have visited Germany to elicit renewed assurances that the agreement stands.

There are a number of other irritants as well. Brazil now has the eighth largest economy in the non-Communist world, and is a major exporter of commodities and increasingly of manufactured goods as well. Its aggressive export subsidy system has triggered U.S. countervailing duties repeatedly against Brazilian products.

Publication of the 1977 human rights report and our deferral of cabinet level consultations were seen as further evidence of US hostility. Brazil responded by refusing all military assistance tied to human rights and denounced five longstanding bilateral military agreements (which they considered outmoded in any event). Our bilateral military cooperation has markedly deteriorated.

Brazil has consistently rejected the premise that the protection of human rights is a matter of international concern. It has opposed an activist role for the Inter-American Human Rights Commission and its UN counterpart.

More recently, the tone of our overall relationship has improved, partly as a result of Mrs. Carter's trip and my consultations in November under the 1976 Memorandum of Understanding. Brazil nonetheless remains suspicious of our basic intentions and determined to pursue its national agenda. Your decision to visit Brazil creates a psychological climate for movement on basic issues, although progress is likely to be, at best, painfully slow.

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You arrive in Brazil in an election year. Geisel has already designated his successor, General Figueiredo, whose victory this fall is taken for granted. Significantly, however, there is a civilian opposition candidate, former Foreign Minister Magalhaes Pinto, and there is considerable speculation that Brazil may be on the verge of gradual evolution in its political structure.

Brazil has been ruled since 1964 by conservative military presidents. Government ideology has centered on the maintenance of political stability and rapid economic growth to achieve Brazilian "greatness". Democratic institutions have been controlled rather than discarded, but the armed forces have ruthlessly suppressed terrorists and until recently greatly restricted political dissent.

When President Geisel came into office in 1974, he initiated a process of gradual relaxation, downplayed exceptional internal security powers and markedly reduced censorship. Following the 1976 local elections, when the opposition MDB party gained in virtually all the major urban centers, Geisel last April decreed an electoral "reform" designed to assure a victory by the pro government ARENA party.

Pressures for liberalization have continued. The Catholic Church, with some lawyer and civil rights groups, has been an active critic of the government's human rights performance. Press, student, and labor demands have increased. Support for change is also widespread in middle class, professional and business groups who have prospered most since 1964, but who are worried by reduced growth rates and rising inflation.

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Dominant military leaders, unsure how to react to this new situation, have generally displayed considerable restraint. Strong but measured police controls have been used, occasionally with physical abuse of arrested demonstrators. But though many senior military leaders are still obsessed with internal security, Geisel's moderate stance has prevailed. In October, he dismissed his Army Minister, the leading conservative military candidate to succeed him. In December, Geisel said for the first time that an institutional means for gradual political liberalization was necessary.

Figueiredo, currently the chief of the National Intelligence Service, is a political unknown, but he is presumably in agreement with Geisel's plans for a gradual political opening. The form, direction and extent of the liberalization however, remain a compelling question for Brazil.

The bottom line for us is that the more Brazil moves to restore democratic procedures, the more comfortable we will be in relating to it and the easier will be its acceptance into the "club" of industrial democracies. Our articulation of democratic values strengthens the hand of those in Brazil who would move in the direction of becoming the world's third largest democracy.

III. KEY ISSUES

1. Issue: Brazil's Global Role, and our Bilateral Relations

U.S. Objectives: To set the stage for discussion of major global and bilateral issues by making clear that we accept Brazil's increasingly important role in the world and value its cooperation.

Brazil's Objectives: To have good relations with the U.S. and to obtain U.S. support for specific policies designed to enhance Brazil's economic growth and power without surrendering any major position.

Essential Factors: This issue provides a critical setting for subsequent discussion of the sensitive nuclear

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and human rights questions and cooperation on economic subjects.

Brazil's foreign policy is highly pragmatic. It aggressively pursues its perceived self-interest to achieve its overarching goal of major nation status. It is strongly anti-Communist and opposed to recognition of Cuba, but seeks expanded economic ties with Communist countries and moved rapidly to recognize the MPLA in Angola. Brazil is concerned that the U.S. and the Soviet Union may be moving toward a world condominium. It fears that this trend could weaken our ability to withstand Communist advances and possibly make it harder for Brazil to play an effective role in world affairs. Brazil seeks strong ties with Africa and has changed its policy toward the Middle East in order to protect its petroleum supplies and attract financial resources.

While asserting its independence from U.S. tutelage, Brazil welcomes consultations. Foreign Minister Silveira attaches great importance to "his" Memorandum of Understanding (MOU) which calls for consultations designed to avoid misunderstandings and to facilitate the "political" resolution of "technical" issues.

Points to be Made:

- It is important to the U.S. that we have close and amicable relations with Brazil. We not only share many common interests but believe Brazil's development is important and welcome its growing world role.
- We value the Memorandum of Understanding as a means of drawing our two governments closer together and providing a mechanism to contain our differences, even when we cannot eliminate them.
- Our foreign policy recognizes that the key issues of our times require the development of an international system more open to the needs

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and participation of developing countries. Brazil plays a key role on many issues and we want to strengthen our cooperation in working toward mutually benefical solutions.

- Bilateral Military Relations: (If asked)* We accept Brazil's decision to put our military relationship in a new footing and are willing to explore jointly future cooperative efforts in this field.
- East-West Relations: The SALT negotiations are critical to our global strategy to control nuclear weapons. This effort obviously requires cooperation with the Soviet Union. At the same time, we confront the Soviet Union in many areas.
- Cuba; Africa: Note our grave concern with Soviet and Cuban activities in Ethiopia. We had hoped to improve relations with Cuba but progress is likely to be slow. Outline the current state of play on Rhodesia, Namibia, and South Africa.

2. Issue: Nuclear Non-Proliferation

U.S. Objectives: To prevent acquisition by Brazil of sensitive technologies enabling it to produce materials suitable for nuclear weapons.

Brazil's Objectives: To reaffirm the integrity of the FRG/Brazil nuclear agreement and to develop rapidly a complete nuclear fuel cycle capability.

Essential Factors: A principal objective of President Geisel's trip to Bonn (March 4-10) in advance of your visit to Brazil, was to reaffirm with the FRG the integrity of their bilateral nuclear agreement. Our position on the issue has been made abundantly clear to the Brazilians and we

*DOD Position: "DOD believes it mandatory to take the initiative and open the dialogue on this important issue rather than acquiescing in a Brazilian dictated moratorium. Failure to do so can only produce further deterioration in our ties with the military, in support and supply relations and other useful links in the security field."

The State Department believes that since the dissolution of our military relationship was a Brazilian decision, we should not take the lead at this time to seek new bilateral forms.

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really have little to add at present which could realistically be expected to move resolution of the issue forward. On February 28, Foreign Minister Silveira turned down my earlier offer to cooperate in thorium technology. Silveira explained that Brazil did not wish to duplicate ongoing thorium cooperation with Germany; he did leave open the possibility of cooperation in non-nuclear forms of energy. An acceleration of pressure would be counter-productive and there is probably little point in continuing to debate, at this time, points previously made. The best hopes available to us are that internal Brazilian criticism of the agreement could coalesce, and that the prospective new Figueiredo government will be less emotionally involved and more receptive to our arguments. On the other hand, it is essential that the points made during your visit reaffirm the consistency and constancy of US nonproliferation policy, while recognizing Brazil's legitimate right to the benefits of nuclear energy.

Points to be made:

- Current reprocessing technologies concern us greatly. The U.S. has deferred civilian reprocessing because we see no near term economic justification and believe present safeguards are ineffective. Secretary Vance and Ambassador Smith explained our position on Brazil's plans to acquire this technology to you last fall. We welcome Brazil's contribution to the INFCE and would urge the Brazilians to defer acquisition of this technology until the INFCE evaluation is completed and alternatives more thoroughly explored.
- The U.S. is deeply concerned about the prospect of a nuclear arms race in the southern part of the hemisphere. Such a development would directly affect the security of all of countries in the region. I hope you can join us in the search for ways to meet national energy requirements while avoiding this grave prospect. We are prepared to cooperate closely with you in this effort.
- We understand your reasons for not wishing to duplicate your ongoing thorium cooperation with Germany but want you to know that our offer to work together in this field remains open, if you feel it is in your interest at some future date.

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- The U.S. is working actively to foster the early entry into force of the Treaty of Tlatelolco which we believe would constitute a major contribution to hemispheric security.
- (If asked) The Administration has recommended approval of provision of fuel for Angra I reactor and this matter is now with the NRC for decision.

3. Issue: Regional Concerns

U.S. Objective: To see disputes resolved peacefully and encourage the allocation of resources to economic and social progress.

Brazil's Objective: To have stable, friendly neighbors, particularly among the ten countries with which it shares common frontiers.

Essential Factors: Brazil's foreign policy which has long focused on its southern neighbors now reaches increasingly northward as well. Geisel has recently received Perez and visited Lopez Portillo and Brazil has a growing interest in the Caribbean. Brazil masks its diplomatic and commercial power in the hemisphere by a low profile emphasis on joint development projects (e.g., the giant hydroelectric dam with Paraguay and proposals for Amazon development). Brazil is cynical about the effectiveness of the OAS. It has a major interest in the IDB as the largest borrower and a major donor.

Brazil manufactures a growing range of armaments and is a budding arms exporter, in Africa and the Middle East as well as Latin America, but may be receptive to an arms restraint initiative cast in terms of trying to prevent another massive Soviet arms drop, as with Peru. Brazil could easily meet arms spending limitations based on regional averages as a percentage of GNP; and as a supplier of less sophisticated items would not be affected by limits

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on modern arms. The military background of Brazil's leadership, its cherished concepts of independence and the recent dismantling of our own bilateral military relationships create psychological burdens to a presentation during your visit. And Brazil may interpret this as an attempt to deny them a promising export sector. Depending on Perez' reaction, we nevertheless suggest discussion because of Brazil's critical importance to the success of such an effort.

Points to be Made:

- Arms Restraint: As the largest countries in the hemisphere with a tradition of cooperation in regional security, the U.S. and Brazil share a strong interest in reducing regional tensions.
- We would welcome Brazil's thoughts on how to obviate the possibility of massive future arms transfers, such as the Soviet sales to Peru. Would a mutual regional undertaking to restrain arms transfers be useful?
- Such an undertaking could strengthen our relations, renew the precedent-setting tradition of this hemisphere established by the 1947 Rio Treaty, and give some meaning to the so-called "Declaration of Ayacucho."
- Caribbean: The U.S. welcomes Brazil's support of the new initiative on Caribbean economic cooperation.
- IDB: The U.S. believes the size and nature of IDB replenishment is very important. We would welcome Geisel's views on the role of the IDB replenishment, particularly the possibility of focusing the IDB much more on projects directly reaching the poor, particularly through its soft loan window.

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-- OAS: The OAS is of critical importance to the hemisphere, especially the smaller states. It is unhealthy to depend on one country to supply two thirds of the OAS budget. We hope Brazil and other major countries will support an increased share of the budget.

4. Issue: Human Rights

U.S. Objectives: To reverse Brazil's obstructionist approach to the IAHRCC. To encourage Brazil to expand improvements in the area of security of the person and to implement the reputedly planned political liberalization.

Brazil's Objectives: To convince us that human rights are an internal matter, and that external pressures only complicate its internal situation and harm our relations.

Essential Factors: Since Geisel came into office in 1974, Brazil's overall human rights situation has improved but problems remain. Though the Brazilian Government gave a clear priority to economic growth over socio-economic development in the past, there are some indications that it may be reordering its priorities. Congress was recessed in April 1977 and several opposition leaders deprived of their political rights. Repressive measures, reportedly including torture, were used against student demonstrators in mid-1977. Those arrested on criminal charges continue to be routinely mistreated.

Geisel has rebuked some officials responsible for mistreatment and exerted stricter controls on the security forces, but control is made difficult by overlapping jurisdictions and attenuated lines of authority. Future human rights conditions are closely linked to the fate of the broader liberalization process which is reportedly in the planning stage. The current vigorous political debate has been widely reported in Brazil's relatively free press and recently as well in the more closely controlled electronic media. Benchmarks for further improvement would be restoration of habeas corpus and civil judiciary review in national security cases, now tried in military courts.

The GOB's concern over US interference on human rights is such that it pressured Paraguay not to accept a visit

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by the IAHRC (and vigorously supported Uruguay's invitation for the OAS to meet in Montevideo despite the impasse on an IAHRC visit), although it supported increased OAS funding for the IAHRC.

Points to be Made:

- Human rights considerations are central to our foreign policy and reflect deeply held convictions as well as our obligations under the UN and OAS Charters.
- We applaud President Geisel's actions to curb human rights abuse and restore press freedoms. What are the chances of restoring habeas corpus and civil judicial review in national security cases and for a political amnesty?
- We are encouraged by Geisel's moves toward political liberalization, and hope they can be sustained in the future.
- We hope that Brazil will support the IAHRC as a means of strengthening international cooperation to promote human rights.

5. Issue: Multilateral Economic Issues

U.S. Objectives: To urge Brazil as it approaches DC status to play a constructive role in the management of global economic issues, emphasizing areas of common interest between our two countries.

Brazil's Objectives: To convince the U.S. that Brazil will continue to need some special LDC trade and financial benefits for the indefinite future.

Essential Factors: As an advanced LDC, whose interests often parallel ours as much as the LDC's, Brazil maintains its G-77 credentials while quietly working for moderation on selected issues. This tactic manifests its ambiguity as it seeks to retain LDC benefits while asserting its claim to major nation status. We hope consultation with Brazil and other LDC's will reduce confrontation and bring agreement on strategies and machinery for world economic cooperation.

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Points to be Made:

- Request Geisel's view of the world economy and Brazil's role in it.
- Part of the price of recognition as an economic power for Brazil is the assumption of greater responsibilities as its economy develops.
- We are committed to a successful MTN with major non-discriminatory reductions in trade barriers and would hope to see substantial reductions in Brazil's import regime.
- We have a common interest in assuring oil price stability. Recent Middle East developments will have an impact on prospects for continued availability of petroleum.
- Brazil can be an active and constructive member of the new UN Committee of the Whole which can be a unique forum for discussing global, economic management issues. We believe, however, that proper fora for negotiations on multilateral economic problems are specialized bodies.
- (If raised) We are ready to resume Common Fund talks (broken off by LDC's in December 1977) if LDC's will seriously consider the U.S. and Group B proposal.
- We look forward to consultations with Brazil at the 1978 session of the LOS Conference where we hope an acceptable deep seabed regime can be achieved.

6. ISSUE: Non-Conventional Energy Technology Cooperation

U.S. Objectives: To establish an effective cooperative arrangement which demonstrates U.S. capability and willingness to help meet Brazil's energy needs.

Brazilian Objectives: To tap U.S. expertise and program support in the development of new energy technologies that promise to reduce Brazil's oil import dependence and in such a way that the Brazil-German nuclear deal is not affected.

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Essential Factors: A Bilateral Consultative Group on Energy was established in February 1976 but has been inactive for lack of adequate funding. Their irritation at our position on the German nuclear agreement also has dampened cooperation. You are now reviewing a package on non-conventional energy cooperation for possible discussion with Geisel. Geisel is likely to view U.S. proposals in this area as a smokescreen to divert Brazil from its nuclear deal. We therefore suggest that this matter be handled separately from your discussion of non-proliferation.

Points to be Made:

- Offer cooperation in the development of new energy technologies; Brazilian expertise in biomass-alcohol conversion is a possibility which would be of use in the Caribbean and Central America also.
- A reenergized consultative group could be charged to develop joint projects.

7. Issue: Bilateral Economic Issues:

U.S. Objectives: To convince Brazil to gradually liberalize import restrictions, to phase out export subsidies and rely on deep tariff cuts in the GATT for export growth; to insure non-discriminatory treatment for U.S. investment in Brazil; to seek continued access for U.S. fishermen to Brazil's shrimping grounds.

Brazil's Objectives: To improve its trade position through import restrictions and export subsidies and to diversify both sources and markets. Brazil wants greater access to U.S. markets under the GSP and resents our countervailing duties. The GOB insists on joint ventures for future foreign shrimpers.

Essential Factors: Brazil uses a mix of import permits, prior import deposits and export subsidies to correct a chronic trade deficit. It believes its nearly balanced trade account to be transitory. Brazil is one of the major beneficiaries of the GSP. This trade advantage and Brazil's import restrictions has prompted bitter complaints from affected U.S. business and labor. Negotiations for a new U.S.-Brazil fishing agreement have so far been inconclusive.

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Points to be Made:

- The improvement in Brazil's balance of trade is encouraging. We hope the GOB can begin to reduce restrictions on imports.
- Brazil's export subsidies are a potentially serious problem in our trade relations. We hope Brazil will exercise greater discipline in their use and cooperate with us both in the MTN and bilaterally in seeking a solution to this problem.
- The consultive subgroup is a useful way to address our bilateral trade problems. I understand the subgroup will meet in Brasilia next month.
- Even though Brazil is a major GSP beneficiary, it could derive greater benefit from deep tariff cuts in GATT.
- We hope arrangements can be made to ensure U.S. access to Brazilian shrimping grounds.
- Foreign investment is important to Brazil and we hope such firms will be treated equally with wholly Brazilian firms.

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When Brazil denounced the 1952 Mutual Defense Assistance Agreement in March 1977, it began the dismantling of our bilateral military relationship which had endured for fifty-five years since the establishment of our Naval Mission in 1922. The process was completed with Brazil's denunciation in September of four more agreements.

The Brazilian denunciation was in direct retaliation to our publication of a human rights report on Brazil in March 1977. Probably more basic in the Brazilian reaction, however, was their anger and concern at the strong U.S. pressures brought to bear against the Brazil-FRG nuclear package. This, they believed, was an attack on Brazil's development to world power status.

In accordance with Brazil's wishes, we have moved promptly to withdraw approximately forty U.S. military personnel who were stationed in Brazil; most will be out by June. Only our service attaches will remain.

The apex of the U.S.-Brazilian military relationship was reached during World War II when Brazil fielded a brigade which fought alongside the U.S. Army in Italy. Since the war, we have provided military training for approximately 15,000 Brazilians and, as a result, almost every senior officer in Brazil has served in the U.S.

Military ties began to weaken in the late sixties for several reasons. We were disillusioned with the entrenchment of military rule in Brazil. Congress began to impose legislative restrictions on arms transfers to Latin America, and the level of our military assistance began to decline. By the seventies, Brazil had begun to create an arms industry of its own and had begun to source most of its arms purchases in Europe. Perhaps even more importantly, the Brazilian armed forces began to question the nature of their military relationship with the United States, viewing it as anachronistic if not somewhat "colonial" for a country of Brazil's stature.

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Despite Brazil's actions, our defense establishments should be able to work closely together within the inter-American defense system. In addition, ad hoc arrangements for bilateral military cooperation should evolve over time. On the debit side, our military will lose channels of communication to their Brazilian counterparts, and the logistical and psychological links which characterized our military relationships for so long will erode. In any event, the dissolution of our relationship was a Brazilian decision, and we should not take the lead at this time to seek new bilateral forms.

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Here is the "final": If you have any comments, we need them soonest.

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MEMORANDUM FOR: THE PRESIDENT
FROM: Cyrus Vance
SUBJECT: Your Visit to Brazil
March 29-31, 1978

I. OBJECTIVES

- To convince Brazilian leaders that we welcome Brazil's increasingly important role in the world and are prepared to consult seriously on major issues.
- To emphasize our shared interests on global economic matters and encourage Brazil to assume greater responsibilities as a country on the threshold of becoming an industrial power.
- To seek Brazilian cooperation in limiting the spread of sensitive nuclear technology.
- To encourage further movement in human rights.
- To avoid identification with the existing authoritarian government or a return to the notion of a "special relationship."

II. SETTING

This could be a difficult visit. You arrive in Brazil after a year of considerable strain in our government-to-government relations triggered by disagreements between our two governments on issues--like human rights and non-proliferation--which have received high priority in your Administration and exacerbated by pressure for internal political change.

Underlying our differences is Brazil's growing assertiveness as it seeks to play an increasingly significant global role and the widespread belief that the U.S. is opposed to its national aspirations. The prospects for resolving sensitive issues will be improved by making clear the

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specific nature of our concerns and that in fact we support Brazil's rise to major nation status.

Our objections to Bonn last year on the FRG-Brazil nuclear agreement, made without consulting Brazil, were widely interpreted as an underhanded move to prevent Brazil's acquisition of essential modern technology. Before your visit, President Geisel will just have visited Germany to elicit renewed assurances that the agreement stands.

There are a number of other irritants as well. Brazil now has the eighth largest economy in the non-Communist world, and is a major exporter of commodities and increasingly of manufactured goods as well. Its aggressive export subsidy system has triggered U.S. countervailing duties repeatedly against Brazilian products.

Publication of the 1977 human rights report and the initial delay in cabinet level consultations were seen as further evidence of US hostility. Brazil responded by refusing all military assistance tied to human rights and denouncing five longstanding bilateral military agreements (which elements in the armed forces considered outmoded in any event). This terminated the structure for bilateral military cooperation and symbolized the decline in our overall relationship.

Brazil has consistently rejected the premise that the protection of human rights is a matter of international concern. It has opposed an activist role for the Inter-American Human Rights Commission and its UN counterpart.

More recently, the tone of our overall relationship has improved, partly as a result of Mrs. Carter's trip and my consultations in November under the 1976 Memorandum of Understanding. Brazil nonetheless remains suspicious of our basic intentions and determined to pursue its national agenda. Your decision to visit Brazil creates a psychological climate for movement on basic issues, although progress is likely to be, at best, painfully slow.

You arrive in Brazil in an election year. Geisel has already designated his successor, General Figueiredo, whose victory this fall is taken for granted. Significantly, however, there is a civilian opposition candidate,

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former Foreign Minister Magalhaes Pinto, and there is considerable speculation that Brazil may be on the verge of gradual evolution in its political structure.

Brazil has been ruled since 1964 by conservative military presidents. Government ideology has centered on the maintenance of political stability and rapid economic growth to achieve Brazilian "greatness". Democratic institutions have been controlled rather than discarded, but the government has ruthlessly suppressed terrorists and until recently greatly restricted political dissent.

When President Geisel came into office in 1974, he initiated a process of gradual relaxation, downplayed exceptional internal security powers and markedly reduced censorship. However, last April he suspended Congress temporarily when it refused to pass a constitutional amendment limiting judicial powers. He also decreed an electoral "reform" designed to assure a victory for the pro government ARENA party.

Pressures for liberalization have continued. The Catholic Church, with some lawyer and civil rights groups, has been an active critic of the government's human rights performance. Press, student, and labor demands have increased. In May and June, the largest demonstrations in nearly a decade occurred protesting a broad range of issues. Support for change is widespread among middle class, professional and business groups who have prospered most since 1964, but who are worried by reduced growth rates and rising inflation.

Dominant military leaders, unsure how to react to this new situation, have generally displayed considerable restraint. Strong but measured police controls have been used, occasionally with physical abuse of arrested demonstrators. But though many senior military leaders are still obsessed with internal security, Geisel's moderate stance has prevailed. In October, he dismissed his Army Minister, the leading conservative military candidate to succeed him. In December, Geisel said for the first time that an institutional means for gradual political liberalization was necessary.

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Figueiredo, currently the chief of the National Intelligence Service, is a political unknown, but he is presumably in agreement with Geisel's plans for a gradual political opening. The form, direction and extent of the liberalization, however, remain a compelling question for Brazil.

Your espousal of individual rights and political freedoms has evoked broad popular sympathy for you personally and has gone a long way toward erasing the previous identification of U.S. policy with support of military regimes and narrow American commercial self-interest. Unlike human rights, however, on the nuclear issue the Government retains widespread support from nearly all segments of the population; our policy is grossly misunderstood and seen as a threat to Brazil's future growth and power. Our articulation of democratic values strengthens the hand of those in Brazil who would move in the direction of becoming the world's third largest democracy. But we must approach Brazil with some subtlety and indirectness, recognizing its hyper-sensitivity on these issues.

III. KEY ISSUES

1. Issue: Brazil's Global Role, and our Bilateral Relations.

U.S. Objectives: To set the stage for discussion of major global and bilateral issues by making clear that we accept Brazil's increasingly important role in the world and value its cooperation.

Brazil's Objectives: To obtain U.S. support for specific policies designed to enhance Brazil's economic growth and power without surrendering any major positions.

Essential Factors: This issue provides a critical setting for subsequent discussion of the sensitive nuclear and human rights questions and cooperation on economic subjects.

In its foreign policy, Brazil is both highly nationalistic and pragmatic in its drive to achieve major nation status. Strongly anti-Communist, it opposes recognition of Cuba though it seeks expanded economic ties with Communist countries and moved rapidly to recognize the MPLA in Angola. Brazil is concerned that the U.S. and the Soviet Union may be moving toward a world condominium. It fears

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that this trend could weaken our ability to withstand Communist advances and possibly make it harder for Brazil to play an effective role in world affairs. Brazil seeks strong ties with Africa and has aligned itself with the Arab states on U.N. Middle East issues in order to protect its petroleum supplies and attract financial resources.

While asserting its independence from U.S. tutelage, Brazil welcomes consultations. Foreign Minister Silveir attaches great importance to "his" Memorandum of Understanding (MOU) which has symbolic significance and which we have tried to use as a mechanism to contain our differences.

Points to be Made:

- It is important to the U.S. that we have close and amicable relations with Brazil. We believe Brazil's development is important, welcome its growing world role and value the Memorandum of Understanding.
- Our foreign policy recognizes that the key issues of our times require the development of an international system more open to the needs and participation of developing countries. Brazil plays a key role on many issues and we want to strengthen our cooperation in working toward mutually beneficial solutions.
- Cuba; Africa: Note our grave concern with Soviet and Cuban activities in Ethiopia. We had hoped to improve relations with Cuba but progress is likely to be slow. Outline the current state of play on Rhodesia, Namibia, and South Africa.
- East-West Relations: The SALT negotiations are critical to our global strategy to control nuclear weapons. This effort obviously requires cooperation with the Soviet Union. At the same time we have no delusions about Soviet policy and confront the Soviet Union in many areas.
- Bilateral Military Relations: (If asked) We accept Brazil's decision to put our military

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relationship in a new footing, and are willing to explore jointly future cooperative efforts in this field.*

2. Issue: Multilateral Economic Issues

(2) U.S. Objectives: To urge Brazil as it approaches DC status to play a constructive role in the management of global economic issues, emphasizing areas of common interest between our two countries.

Brazil's Objectives: To convince the U.S. that Brazil will continue to need some special LDC trade and financial benefits for the indefinite future.

Essential Factors: As an advanced LDC, whose interests often parallel ours as much as the LDCs', Brazil maintains its G-77 credentials while quietly working for moderation on selected issues. Thus it seeks to retain LDC benefits while asserting its claim to major nation status.

Points to be Made:

- Request Geisel's view of the world economy and Brazil's role in it. Part of the price of recognition as an economic power for Brazil is the assumption of greater responsibilities as its economy develops.
- We are committed to a successful MTN with major non-discriminatory reductions in trade barriers and would hope to see substantial reductions in Brazil's import restrictions. We want to come to an equitable agreement on the kinds of special and differential treatment afforded LDCs within GATT.

*DOD Position: "DOD believes it mandatory to take the initiative and open the dialogue on this important issue rather than acquiescing in a Brazilian dictated moratorium. Failure to do so can only produce further deterioration in our ties with the military, in support and supply relations and other useful links in the security field."

The State Department believes that since the dissolution of our military relationship was a Brazilian decision, we should not take the lead at this time to seek new bilateral forms. It is too soon to raise this issue.

Needs
Military
Alliance

Possibly final stage
of negotiations
between US and Brazil
on military alliance
in South America

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- (If raised) We are ready to resume Common Fund talks (broken off by LDC's in December 1977) if LDC's will seriously consider the U.S. and Group B proposal.
- We look forward to consultations with Brazil at the 1978 session of the LOS Conference where we hope an acceptable deep seabed regime can be achieved.

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U.S. Objectives: To convince Brazil to gradually liberalize import restrictions, to phase out export subsidies and rely on deep tariff cuts in the GATT for export growth; to insure non-discriminatory treatment for U.S. investment in Brazil; to seek continued access for U.S. fishermen to Brazil's shrimping grounds.

Brazil's Objectives: To improve its trade position through import restrictions and export subsidies and to diversify both sources and markets. Brazil wants greater access to U.S. markets under the GSP and resents our countervailing duties. The GOB insists on joint ventures for future foreign shrimpers.

Essential Factors: Brazil uses a mix of import permits, prior import deposits and export subsidies to correct a chronic trade deficit. It believes its nearly balanced trade account to be transitory. Brazil is one of the major beneficiaries of the GSP. This trade advantage and Brazil's import restrictions have prompted bitter complaints from affected U.S. business and labor. Negotiations for a new U.S.-Brazil fishing agreement have so far been inconclusive. ✓

Points to be Made:

- The improvement in Brazil's balance of trade is encouraging. We hope the GOB can begin to reduce restrictions on imports.
- Brazil's export subsidies are a potentially serious problem in our trade relations. We hope Brazil will exercise greater discipline in their use and cooperate with us both in the MTN and bilaterally in seeking a solution to this problem.

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- The consultive subgroup is a useful way to address our bilateral trade problems. I understand the subgroup will meet in Brasilia next month.
- Even though Brazil is a major GSP beneficiary, it could derive greater benefit from deep tariff cuts in GATT.
- We hope arrangements can be made to ensure U.S. access to Brazilian shrimping grounds.
- Foreign investments are important to Brazil and we hope such firms will be treated equally with wholly Brazilian firms.

4. Issue: Energy Cooperation.

U.S. Objectives: To demonstrate that we have shared critical concerns as major energy importers and to establish an effective cooperative arrangement which demonstrates U.S. capability and willingness to help meet Brazil's energy needs.

Brazil's Objectives: To develop rapidly Brazil's energy capabilities and reduce dependence in foreign sources as an essential component of its overall growth strategy.

Essential Factors: After several years of rapid economic growth, Brazil was hard hit by the world energy crisis. It now imports over 80 percent of its petroleum requirements at an annual cost of 4 billion dollars.

Energy ~~less~~ is now a major constraint on present and future development. The Government has undertaken a massive program to develop indigenous energy resources. Extensive petroleum exploration projects have yielded only marginal results so far. After several decades of heavy investment in hydroelectric power, culminating in the giant Itaipu complex, Brazil will have developed most of its readily and economically accessible hydro-resources. Brazil's major program of nuclear development, centered on its agreement with the FRG, is an integral element in its overall energy strategy. In addition, the Brazilian Government is actively investigating a wide range of other non-conventional energy sources and is a world leader in the development and use of "gasohol" for automobile fuel.

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A Bilateral Consultative Group on Energy was established in February 1976 but has been inactive for lack of adequate funding and Brazil's irritation at our position on the German nuclear agreement. You have approved a package on non-conventional, non-nuclear energy cooperation for discussion with Geisel. Geisel is likely to view U.S. proposals in this area as a smoke-screen to divert Brazil from its nuclear deal. But your offer to cooperate with Brazil in an area of great importance to both countries can reinforce our assertion that we strongly support Brazil in its attempt to satisfy its total energy requirements. ✓

Points to be Made:

- Emphasize that we recognize and share Brazil's concern over the problems of adequate energy supply at a price compatible with stable economic growth. We view with respect and admiration the diverse efforts by Brazil to increase the efficient use of its indigenous energy resources.
- Offer cooperation in the development of new energy technologies; Brazilian expertise in biomass-alcohol conversion is a possibility which would be of use in the Caribbean and Central America also.
- A reenergized consultative group could be charged to develop joint projects.

5. Issue: Nuclear Non-Proliferation

U.S. Objectives: To prevent acquisition by Brazil of sensitive technologies enabling it to produce materials suitable for nuclear weapons.

Brazil's Objectives: To reaffirm the integrity of the FRG/Brazil nuclear agreement and to develop rapidly a complete nuclear fuel cycle capability.

Essential Factors: A principal objective of President Geisel's trip to Bonn (March 4-10) in advance of your visit to Brazil, was to reaffirm with the FRG the integrity of their bilateral nuclear agreement. Our position on the issue has been made abundantly clear to the Brazilians and we

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really have little to add at present which could realistically be expected to move resolution of the issue forward. On February 28, Foreign Minister Silveira turned down my earlier offer to cooperate in thorium technology. Silveira explained that Brazil did not wish to duplicate ongoing thorium cooperation with Germany; he did leave open the possibility of cooperation in non-nuclear forms of energy.

gy An acceleration of pressure would be counter-productive and there is probably little point in continuing to debate, at this time, points previously made. The best hopes available to us are that internal Brazilian criticism of the agreement could coalesce, and that the prospective new Figueiredo government will be less emotionally involved and more receptive to our arguments. The NRC approved the long delayed export of fuel for Brazil's Angra I reactor earlier this month, thus removing a serious source of irritation.

On the other hand, it is essential that the points made during your visit reaffirm the consistency and constancy of US nonproliferation policy, while recognizing Brazil's legitimate right to the benefits of nuclear energy; and by noting the continued need of both the U.S. and Brazil to develop alternative sources of energy.

Points to be made:

- Current reprocessing technologies concern us greatly. The U.S. has deferred civilian reprocessing because we see no near term economic justification and believe present safeguards are ineffective. Secretary Vance and Ambassador Smith explained our position on Brazil's plans to acquire this technology to you last fall. We welcome Brazil's contribution to the INFCE and would urge the Brazilians to defer acquisition of this technology until the INFCE evaluation is completed and alternatives more thoroughly explored.
- The U.S. is deeply concerned about the prospect of a nuclear arms race in the southern part of the hemisphere. Such a development would directly affect the security of all countries in the region. I hope you can join us in the search for ways to meet national energy requirements while avoiding this grave prospect.

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We are prepared to cooperate closely with you in this effort.

- We understand your reasons for not wishing to duplicate your ongoing thorium cooperation with Germany but want you to know that our offer to work together in this field remains open.

6. Issue: Human Rights

U.S. Objectives: To soften Brazil's obstructionist approach to the IAHRC. To encourage Brazil to expand improvements in the area of security of the person and to implement the reputedly planned political liberalization.

Brazil's Objectives: To convince us that human rights are an internal matter, and that external pressures only complicate its internal situation and harm our relations.

Essential Factors: Since Geisel came into office in 1974, Brazil's overall human rights situation has improved but problems remain. Though the Brazilian Government gave a clear priority to economic growth over socio-economic development in the past, there are some indications that it may be reordering its priorities. Repressive measures, reportedly including torture, were used against student demonstrators in mid-1977. Geisel has rebuked officials responsible for mistreatment and exerted stricter controls. Benchmarks for further improvement would be restoration of habeas corpus and civil judiciary review in national security cases.

Future human rights conditions are closely linked to the fate of the broader liberalization process reportedly in the planning stage. The current vigorous political debate has been widely reported in Brazil's relatively free press and recently as well in the more closely controlled electronic media.

The GOB's concern over US interference on human rights is such that it pressured Paraguay not to accept a visit by the IAHRC (although it supported increased OAS funding for the IAHRC).

Points to be Made:

- Geisel's recent Mexico speech emphasized his

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but were disturbed
by isolated reports of
be abuse or
not few

Government's human rights priority of meeting the basic human needs of the poor. This is a challenging goal. What are his plans?

- We applaud President Geisel's actions to curb human rights abuse and restore press freedoms. What are the chances of restoring habeas corpus and civil judicial review in national security cases and for a political amnesty? *including refugee*
- We are encouraged by Geisel's moves toward political liberalization, and hope they can be sustained in the future. *to achieve a return to democratic institutions*
- We hope Brazil will support the IAHRC as a means of strengthening international cooperation to promote human rights.

7. Issue: Regional Concerns

U.S. Objective: To see disputes resolved peacefully and encourage the allocation of resources to economic and social progress.

Brazil's Objective: To have stable, friendly neighbors, particularly among the ten countries with which it shares common frontiers.

Essential Factors: Brazil's foreign policy which has long focused on its southern neighbors now reaches increasingly northward as well. Geisel has recently received Perez and visited Lopez Portillo and Brazil has a growing interest in the Caribbean. Brazil masks its diplomatic and commercial power in the hemisphere by a low profile emphasis on joint development projects (e.g., the giant hydroelectric dam with Paraguay and proposals for Amazon development). Brazil is cynical about the effectiveness of the OAS. It has a major interest in the IDB as the largest borrower and a major donor.

Brazil manufactures a growing range of armaments and is a budding arms exporter, in Africa and the Middle East as well as Latin America, but may be receptive to an arms restraint initiative cast in terms of trying to prevent another massive Soviet arms drop, as with Peru. Brazil could easily meet arms spending limitations based on regional averages as a percentage of GNP; and as a supplier of less sophisticated items would not be affected by limits

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on modern arms. The military background of Brazil's leadership, its cherished concepts of independence and the recent dismantling of our bilateral military relationships create psychological burdens to a presentation during your visit. And Brazil may interpret this as an attempt to deny them a promising export sector. Depending on Perez' reaction, we nevertheless suggest discussion because of Brazil's critical importance to the success of such an effort.

Points to be Made:

- IDB: The U.S. believes the size and nature of IDB replenishment is very important. We would welcome Geisel's views on the role of the IDB replenishment, particularly the possibility of focusing the IDB, especially
 - ↑ the FSO, much more on projects directly reaching the poor.
- Caribbean: The U.S. welcomes Brazil's participation in the new initiative on Caribbean economic cooperation. We hope Brazil will contribute financial and technical support to this effort.
- Arms Restraint: As the largest countries in the hemisphere with a tradition of cooperation in regional security, the U.S. and Brazil share a strong interest in reducing regional tensions.
- We would welcome Brazil's thoughts on how to obviate the possibility of massive future arms transfers, such as the Soviet sales to Peru. Would a mutual regional undertaking to restrain arms transfers be useful?
- Such an undertaking could strengthen our relations, renew the precedent-setting tradition of this hemisphere established by the 1947 Rio Treaty, and give some meaning to the so-called "Declaration of Ayacucho."
- OAS: The OAS is important to the hemisphere, especially the smaller states. Negotiations are now underway to restructure OAS quotas equitably. It is unhealthy to depend on one

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country to supply two thirds of the OAS budget; we will be reducing our own share. We hope Brazil and other major countries will support an increased share of the budget.

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